



# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE  
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## **CALIFORNIA TREASURER ANGELIDES ASSAILS BUSH BLUE STATE TAX INCREASE**

*Says Bush Panel's Proposed Elimination of State and Local Tax Deduction and  
Capping of Mortgage Interest Deduction  
"Are Good For Texas, but Bad for California"*

SACRAMENTO, CA - Treasurer Phil Angelides made the following statement today about the decision of President Bush's Tax Reform Advisory Panel to recommend eliminating the federal income tax deduction for state and local taxes and capping the mortgage interest deduction:

"The Bush panel's recommendations are a double-barreled blast aimed squarely at California and the middle class. Eliminating the deductibility of state and local taxes would raise federal income taxes on Californians by more than \$13 billion a year, putting new burdens on our state, which already sends \$50 billion more in tax dollars to Washington than it receives back in federal spending. Capping the mortgage deduction at a level below the median price of a California house would cost middle-class families billions more. These recommendations are good for Texas, but bad for California.

"The Bush panel's proposal would cap the deduction for mortgage interest at the FHA limit level – which is \$312,895 for California's most expensive markets, the Bay Area and the coastal regions – while the median home price in the state is \$568,000. Eliminating the mortgage deduction would be devastating to millions of Californians who rely on this federal tax deduction to make their dreams of homeownership possible.

"The panel's proposed tax on state and local taxes would cost 5.9 million California taxpayers an average of more than \$2,200 a year, taking more resources out of California and making it harder to finance critical investments in schools, colleges, healthcare and public safety. Californians will be paying more taxes without getting any new services.

"One in every three Californians filing a federal tax return takes a deduction for mortgage interest and one in four takes a deduction for state and local taxes paid. Those figures rise to nearly half for the 8 million California middle-class taxpayers with adjusted gross incomes of between \$20,000 and \$100,000 a year."

*Attached, please find Congressman Rangel's letter to Governor Arnold Schwarzenegger and an excerpt from a report by the Democratic Staff of the House Ways and Means Committee regarding proposals to repeal the federal income tax deduction for state and local taxes.*

# # #

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MINORITY CHIEF COUNSEL

July 22, 2005

Governor Arnold Schwarzenegger  
State Capitol Building  
Sacramento, CA

Dear Governor Schwarzenegger:

It is highly probable that President Bush's Tax Reform Panel will recommend repeal of the Federal tax deduction for State and local taxes as part of its tax reform recommendations. President Bush has set forth some ambitious and costly goals for his tax reform plan. He also wants the plan to be revenue neutral, requiring some equally ambitious offsetting revenue increases. The President has indicated that he intends to preserve current law deductions for home mortgage interest and charitable contributions. However, he made no such commitment concerning State and local taxes.

I am writing you because your State is among the top fifteen States when ranked on the basis of the relative importance of the deduction for State and local taxes. For individuals in your State who itemize their deductions, repeal of that deduction would result in an average tax increase of \$2,221.

Given the significance of the deduction to your State, it is important that the President's Tax Reform Advisory Panel and Members of Congress hear your voice as they consider proposals to repeal the deduction. Organizing early and coordinating our voices will significantly improve our chances of prevailing on defeating a repeal of the deduction. I believe that this is an issue that crosses party lines, and therefore, I am hopeful we can engage in bipartisan cooperation.

Governor Arnold Schwarzenegger  
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I have attached a study prepared by the Democratic Staff of the Committee on Ways and Means on the issue of deductibility of State and local taxes. If you or your staff have any questions on the study, feel free to contact me or the Democratic Staff of the Committee on Ways and Means at (202) 225-4021.

Let me know how you wish to be involved in this effort.

Sincerely,



Charles B. Rangel  
Ranking Democrat

cc: Phil Angelides, Treasurer ✓

Table 2

**STATES AFFECTED BY DEDUCTIBILITY OF STATE AND LOCAL TAXES**

<u>State</u>	<u>Tax Benefit of Deduction, Per Deducting Taxpayer</u>	<u>% of Federal Income Taxes Paid</u>	<u>% of Total Individual Taxpayers</u>
New York	\$2,774	8.7	6.58
Connecticut	2,606	2.3	1.27
New Jersey	2,501	4.6	3.11
California	2,221	13.2	11.53
Massachusetts	2,164	3.3	2.35
Rhode Island	2,065	0.4	0.38
Maryland	1,986	2.3	1.98
Wisconsin	1,923	1.7	1.98
Maine	1,825	0.3	0.47
Oregon	1,805	0.9	1.2
Minnesota	1,701	1.9	1.82
Ohio	1,680	3.4	4.19
Pennsylvania	1,637	4.1	4.42
Illinois	1,619	5.1	4.38
Michigan	1,525	3.2	3.48
<b>Total %</b>		55.4	49.14